



State of Utah  
DEPARTMENT OF NATURAL RESOURCES  
DIVISION OF OIL, GAS AND MINING

Michael O. Leavitt  
Governor

Robert L. Morgan  
Executive Director

Lowell P. Braxton  
Division Director

1594 West North Temple, Suite 1210  
PO Box 145801  
Salt Lake City, Utah 84114-5801  
(801) 538-5340 telephone  
(801) 359-3940 fax  
(801) 538-7223 TTY  
www.nr.utah.gov

May 19, 2003

CERTIFIED RETURN RECEIPT  
7099 3400 0016 8896 2246

William R. Wilson  
Basin Perlite Corporation  
2160 Republic Plaza, 17<sup>th</sup> Street  
Denver, Colorado 80202

Re: Notification of Surety Bond Rating Change, Basin Perlite Company, Pearl Queen Perlite Mine, M/001/027, Beaver County, Utah

Dear Mr. Wilson:

During a recent review of our surety bonding instruments, we noted that the \$133,600 corporate surety bond held by this office for the Pearl Queen Perlite Mine and secured by American Manufacturers Mutual Insurance Company ("AMMIC"), has fallen in its performance rating. The A.M. Best Rating for AMMIC was previously ranked as an A (excellent) *Secure* Rating, but as of May 19, 2003, its rating has dropped to a C++ (marginal) *Vulnerable* Rating.

The following criteria apply to all corporate surety bonds held by the Division under section R647-4-113.4.11, of the Utah Mined Land Reclamation Administrative Rules:

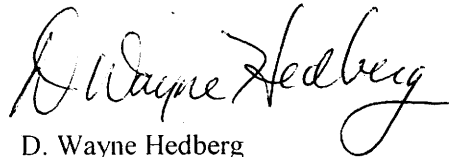
*A corporate surety bond from a surety company that is licensed to do business in Utah, that is listed in "A.M. Best's Key Rating Guide" at a rating of A- or better or a Financial Performance Rating (FPR) of 8 or better, according to the "A.M. Best's Guide". All surety companies also will be continuously listed in the current issue of the U.S. Department of the Treasury Circular 570. Operators who do not have a surety bond with a company that meets the standards of subsection 4.11 will have 120 days from the date of Division notification after enactment of the changes to subsection 4.11 to achieve compliance or face enforcement action. When the Division in the course of examining surety bonds, notifies an operator that a surety company guaranteeing its performance does not meet the standards of subsection 4.11, the operator has 120 days after notice from the Division by mail to correct the deficiency, or face enforcement action (emphasis added).*

We must receive confirmation that this rating has been upgraded to the A- minimum classification, or receive a replacement reclamation surety from Basin Perlite Company within 120 days of your receipt of this notice. Your failure to do so may force us to take appropriate enforcement action to resolve this

Page 2  
William R. Wilson  
M/001/027  
May 19, 2003

matter. This is an unfortunate circumstance that neither of us could have predicted. We thank you for your continued cooperation and understanding in this regard. If you have questions regarding the requirements of this letter, please contact me at (801) 538-5286, or Tom Munson at 538-5321 to discuss this situation further.

Sincerely,

A handwritten signature in cursive script, reading "D. Wayne Hedberg". The signature is written in dark ink and is positioned above the printed name and title.

D. Wayne Hedberg  
Permit Supervisor  
Minerals Regulatory Program

jb  
cc: Jay Gatten, North American Exploration  
Ed Ginouves, BLM, Cedar City FO  
Opie Abeyta, BLM, State Office  
Steve Alder, AAG's Office  
Mary Ann Wright, DOGM  
O:\M001-Beaver\M0010027-PearlQueen\final\surety-rating.doc